



ORIGINAL RESEARCH PAPER

Psychiatry

CRASH OF DEMONETIZATION ON FAST MOVING CONSUMER GOODS: A STUDY IN BANGALURU

KEY WORDS: Demonetization, currency, FMCG & Retailers

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ABSTRACT

Demonetization is act by the RBI to counter cash hoarding, fake currency, undeclared income, and illegal activities which include corruption, drug trade and terrorism from the Indian economy and to trace the money flow in the economy. Demonetization is used to curb the illegal activities and undeclared income which occurs when a person does not pays taxes to the government and during the period before November 2016 RBI measured that the 500 and 1000 rupees note has considerably increased which may lead to inflation in an economy. The governor of RBI initiated the Demonetization act in November 2016 and thus, the 500 and 1000 rupees were not considered a legal tender and instead new 500 and 2000 rupee note will be issued from 9th November 2016 and the lower currency notes are still to be used and demonetization act does not apply on lower currency. The present study focus on the impact of demonetization on FMCG, Consumer Retailer level temporary liquidity crunch where be lead to down trading either in terms of lower weight or volumes packs between the brands. The move could also bring down the average transaction size per consumer thus further impacting margins for the retailers.

Introduction

This paper is about the 2016 decision to demonetize Rs 500 and Rs 1000 banknotes. The paper entitled focuses on the decision to demonetize the Indian currency including 500 and 1000 rupees note to curb out the black money from the Indian economy. Demonetization came into effect on 8th November, 2016 which was to monitor the cash flow in the economy and make India digital based country where every transaction will be online where every transaction can be recorded to monitor, analyze the cash flow of each and individual.

Demonetization is defined as an act of replacing a particular currency by new notes issued by Reserve Bank of India (RBI). Demonetization occurs whenever there is change in currency in a country. Demonetization came into effect on 8th November at 08:00 P.M, Narendra Modi (Prime Minister of India) announced this on the news that the 500 and 1000 rupees currencies used in India and will be banned from use of any transaction purpose. After midnight new currency notes will be issued to instead of 500 and 1000 rupees note which will be replaced by 500 and 2000 rupees notes to tackle the black money from the economy and to prevent the terrorism of counterfeit notes.

The term of Demonetization was to deposit the 500 and 1000 rupee notes to the banks on or before 30th November 2016 and where the RBI put some constraints to the depositors as they cannot deposit more than 4,000 rupees at the second week per person and at the third week RBI extended the amount to 4,500 rupees and during the end of November the depositing amount decreased to 2,000 rupees and on 25th November all transaction of depositing 500 and 1000 notes were stopped. Demonetization is discussed as a major function and act to provide positive move for the economy which will lead to transparency of funds in the long run.

Fast Moving Consumable Goods (FMCG) are those products which cannot be used for more than a year and are replaced in a year, a product consumed or used for daily use can be considered FMCG. FMCG products can be durable for a long time, products like batteries, paper products, glassware, shaving products, etc.

Indian population has increased a lot and the cost of living as well as level of income has also increased which boosted the sales of the FMCG in Indian market. FMCG is targeted towards the rural segments and the middle class which provides immense wealth and profit to the companies so the companies heavily invest in FMCG products and introducing varieties to its products where a customer can choose from a wide variety of quantity to different quality or taste and preferences.

After the effect of demonetization in the Indian economy the FMCG market was hampered as the products consumed daily were sold in less quantity as the availability of liquid cash has

reduced and the digital India initiative was not successfully implemented where a person can use digital cash as a way of payment system in the Indian market.

1. The initial limit of exchange was fixed to 4,000 per person from 8 to 13 November 2016 with an Identity Proof.
2. After the first limit the second limit was increased to 4,500 per person from 14 to 17 November 2016.
3. The limit was later reduced to 2,000 per person from 18 November 2016 after the first and second limit of Rs. 4000 and 4500.

All exchange of banknotes was abruptly stopped from 25 November 2016. International airports were also instructed to facilitate an exchange of notes amounting to a total value of 5,000 for foreign tourists and out-bound passengers. The demonetization covers all the details about the Indian economy which is currently the 7th largest with market capitalization of \$ 2.25 trillion to curb the menace of black money.

STATEMENT OF THE PROBLEM:

- Due to Demonetization the FMCG based retailers had faced the transaction problem while selling and purchasing of those products.
- There is a huge decrease in the sales of the FMCG goods due to demonetization.
- Due to demonetization many distributors are stopped visiting to small towns and rural areas.
- Due to demonetization 70% stores reported purchases as well as sales and also their business activities have come down.
- Due to demonetization 20-40% falls in sales of snacks and some other product

SCOPE OF STUDY:

- How the FMCG sector affected demonetization.
- Advantages and limitations of the demonetization on FMCG.
- What are the features of the FMCG affected by the demonetization.
- The needs to be achieved after the study.
- To understand the effects and impact of demonetization on FMCG products.
- The retailers how their sales are selling to the customers for reasonable prices.

NEED OF THE STUDY:

The effects and impact of demonetization FMCG and Through Demonetization on FMCG had gone down by 1-1.5% or Rs 3,840crore's in November compared to October. The impact of demonetization is more on every day essentials like rice, toothpaste, pulses, sugar .Due to demonetization homemaker has reduced spending by 50%. The present study taken up the 'Crash of Demonetization on FMCG: A Study in Bangaluru'

OBJECTIVE OF THE STUDY:

Primary Objective:-

- To annualize the impact of demonetization on FMCG.
- Secondary Objective:-
- Does Demonetization have a positive impact on economy and industries.
- To study the positive and negative impact on trade retailers and plastic retailers.
- Demonetization on FMCG will effect on Indian economy.

RESEARCH METHODOLOGY

- The research paper is based on primary and secondary data. The sample size is 30 shopkeepers in the Bangaluru City; the questionnaire survey was conducted by convenience sample method on selected shopkeepers.
- The secondary data is collected from the News Papers, Magazines, Pamphlet and Brochures

DATA ANALYSIS

The demonetization impact on FMCG as various types such as 40% of responders felt very high and 26.67% of responders felt like high. The remaining responders felt as neutral and low (20% & 13.33%) but no one felt it effected very low. The effect of demonetization on consumers using pos-machine is 33.33% of responders felt high and 16.66% of responders felt low. The remaining responders felt 23.33% very high and 26.66% constant due to Demonetization effect on customers using pos-machine. The demonetization effect on digital payments such as most of the responders are increased (53.33%) and some responders are decreased (26.67%) but remaining responders are constant (20%).

The study says that demonetization affect on sales of FMCG, most of the respondents (86.67%) feel like as demonetization impact on sales of FMCG and remaining respondents (13.33%) feel like as demonetization no impact on sales of FMCG. After demonetization toothpastes ware sold mostly (20%) and skin care, hair oil & soaps were sold as same percentage (16.66%). But deodorants were sold by the 6.66% and detergents were sold by the 13.33% of the respondents.

The present study says that 50% of the responders have done the payment through digital payment and very few responders have done the payment through credit card while during demonetization, but remaining responders have done payments through cash (23.33%) and debit card (20%). The purchasing power of the customer while during demonetization 40% of the respondents decreased and 30% of responders remaining constant of a purchasing power of customer but few responders only somewhat and increased (16.67%&13.33%) purchasing power of a customer.

After demonetization also customer are negligible shift from highly priced product to cheaper Price product, the study says that 33.33% of customers are purchasing same products and 23.33% of customers are choosing alternative products and some customers are preferring cheaper products but few customers only purchasing substitute products. Most of the respondents (70%) felt after demonetization fmccg products sales decreased and few respondents (30%) felt after demonetization fmccg products sales increased.

FINDINGS:

- The most of the respondents have felt as more effect was there on FMCG products due to demonetization but few respondents only have felt small impact was there on FMCG products due to demonetization.
- The impact of demonetization on pos-machines using consumers, more consumers said increase in demand for payment solutions at merchant outlets due to demonetization.
- The most of the responders said digital payments have increased due to demonetization but few responders only felt constantly because shortage of cash.
- Distributors and retailers mostly deal through cash transactions but due to demonetization effect on FMCG sales

decreased.

- After demonetization most of the consumers are looking to buy daily usage products such as toothpaste, soaps and hair oil because those things are necessary.
- During demonetization, most of the customers were attracted by the buy & get another free and buy & get 20% discount because people want to save money mean while retailers get more sales.
- Most of the customers preferred Britannia and Nestle than HUL and Dabur because Britannia & Nestle have more products with best quality and quantity with cheaper price.
- Digital payments were preferred by the more consumers while during demonetization because shortage of new currency and stop the old currency.
- After demonetization, sales decreased by the more consumers due to limited transactions rule by the RBI. But few consumers only made constant transactions.
- The purchasing power of consumers mostly decreased and constant but few consumers only have increased their purchasing power after demonetization.
- After demonetization few consumers are shifting from high price to low price to buy products but approximately 34% of the consumers constantly purchasing their higher price products due to shortage of new currency and limited transactions rule by the RBI.
- The most of the distributor channels and retailers are implementing strategies to increase sales such as offer discounts and exchange offer but few retailers are implementing strategies such as give products in credit based.
- According to survey most of the consumers shifted their focus from retailer buying to online buying due to service based, more discounts based and moreover time consuming. But few people still constant their focus on retailer buying.
- According to survey, 70% of the responders gave report as the demand of FMCG products aren't increased due to demonetization but few responders only said that the demand of FMCG products are increased.
- The impact of after demonetization on FMCG sales aren't good by the survey of most of the respondents but few responders only agree with sales are good.

SUGGESTIONS:

- The retail stores can adopt to cashless transaction payment options.
- Educate customers on various available cashless payment options.
- Provide discounts and offers on possible goods.
- Retail stores can give goods to well-known customers on credit basis.
- Set-up local debit accounts for customers in the store.
- Provide for the customers pos-machines.
- All the products are display for the customer's satisfaction.

CONCLUSION

The impact of the demonetization on FMCG companies can be seen in two fold. One effect is on the distribution channel, as retailer who makes up the bulk of sales mostly deal in cash. While consumers will recover relatively quickly as the new currency notes become available, trade channels may take a few weeks to recover as their transaction costs will be of higher value. Hence purchases have declined, which has affected the sales growth of companies as reported by them. The second impact is at the consumer level. Demonetization has caused a liquidity crunch in the economy. However, if the effect of demonetization revives the economy as expected by the government, it will have major growth implications to the country in all sectors of economy.

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